

CITY OF CARSON

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2021

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City of Carson

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tim Todd	Mayor	January 2022
Tate Brandon	Council Member	January 2022
Adam Houser	Council Member	January 2022
Kelly Pilling	Council Member	January 2022
Troy Graves	Council Member	January 2024
Marlene Richardson	Council Member	January 2024
Brianne Duede	City Clerk/Administrator	Indefinite
Kristina Hansen	Treasurer	Indefinite
Steve Krohn	Attorney	Indefinite



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

October 15, 2021

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson, Iowa, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the city's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued...

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City of Carson
Independent Auditors' Report

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson as of June 30, 2021, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carson's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 and 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City's Contributions on pages 25 through 29 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021 on our consideration of the City of Carson's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Carson's internal control over financial reporting and compliance.

Schroer & Associates, P.C.

Schroer & Associates, PC
Council Bluffs, IA

City of Carson
Basic Financial Statements

City of Carson
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2021

	Program Receipts				Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 104,869	32,175	37,776	-	(34,918)	-	(34,918)
Public works	102,068	933	126,646	-	25,511	-	25,511
Culture and recreation	82,200	12,986	6,606	-	(62,608)	-	(62,608)
Community and economic development	30,084	18,609	-	-	(11,475)	-	(11,475)
General government	141,108	1,665	84,744	-	(54,699)	-	(54,699)
Debt service	160,340	-	-	-	(160,340)	-	(160,340)
Capital projects	23,885	-	-	19,451	(4,434)	-	(4,434)
Total governmental activities	644,554	66,368	255,772	19,451	(302,963)	-	(302,963)
Business type activities:							
Water	119,453	127,498	-	-	-	8,045	8,045
Sewer	173,172	176,865	-	-	-	3,693	3,693
Garbage	63,394	72,277	-	-	-	8,883	8,883
Total business type activities	356,019	376,640	-	-	-	20,621	20,621
Total	\$ 1,000,573	443,008	255,772	19,451	(302,963)	20,621	(282,342)
General Receipts:							
Property and other city tax levied for:							
General purposes					199,000	-	199,000
Debt service					150,357	-	150,357
Tax increment financing					78,132	-	78,132
Local option sales tax					142,074	-	142,074
Commercial/industrial tax replacement					3,361	-	3,361
Grants and contributions not restricted to specific purpose					553	-	553
Unrestricted interest on investments					875	-	875
Miscellaneous					-	27,226	27,226
Total general receipts					574,352	27,226	601,578
Change in cash basis net position					271,389	47,847	319,236
Cash basis net position beginning of year					1,399,281	(22,791)	1,376,490
Cash basis net position end of year					\$ 1,670,670	25,056	1,695,726
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					\$ 167,764	-	167,764
Urban renewable purposes					722,829	-	722,829
Debt service					28,875	-	28,875
Other purposes					54,187	-	54,187
Unrestricted					697,015	25,056	722,071
Total cash basis net position					\$ 1,670,670	25,056	1,695,726

See notes to financial statements.

City of Carson
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2021

		Special Revenue				Other Nonmajor Governmental Funds	
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment	Debt Service	Capital Projects	Total
Receipts:							
Property tax	\$ 177,145	-	-	-	135,534	-	312,679
Tax increment financing	-	-	-	78,132	-	-	78,132
Other city tax	21,855	-	142,074	-	14,823	-	178,752
Licenses and permits	1,761	-	-	-	-	-	1,761
Use of money and property	4,311	-	-	-	-	-	4,311
Intergovernmental	41,489	121,526	-	-	1,358	70,864	235,237
Charges for service	40,883	-	-	-	-	-	40,883
Special assessments	217	-	-	-	-	-	217
Miscellaneous	22,686	3,225	-	18,609	-	19,451	63,971
Total receipts	310,347	124,751	142,074	96,741	151,715	90,315	915,943
Disbursements:							
Operating:							
Public safety	104,869	-	-	-	-	-	104,869
Public works	-	102,068	-	-	-	-	102,068
Culture and recreation	82,200	-	-	-	-	-	82,200
Community and economic development	-	-	-	30,084	-	-	30,084
General government	141,108	-	-	-	-	-	141,108
Debt service	-	-	-	-	160,340	-	160,340
Capital projects	-	-	-	-	-	23,885	23,885
Total disbursements	328,177	102,068	-	30,084	160,340	23,885	644,554
Excess (deficiency) of receipts over (under) disbursements	(17,830)	22,683	142,074	66,657	(8,625)	66,430	271,389
Other financing sources (uses):							
Transfers in	142,074	-	-	-	12,841	-	154,915
Transfers out	-	-	(142,074)	(12,841)	-	-	(154,915)
	142,074	-	(142,074)	(12,841)	12,841	-	-
Change in cash balances	124,244	22,683	-	53,816	4,216	66,430	271,389
Cash balances beginning of year	588,778	145,081	-	669,013	24,659	(28,250)	1,399,281
Cash balances end of year	\$ 713,022	167,764	-	722,829	28,875	38,180	1,670,670
Cash Basis Fund Balances							
Restricted for:							
Streets	\$ -	167,764	-	-	-	-	167,764
Urban renewal purposes	-	-	-	722,829	-	-	722,829
Debt service	-	-	-	-	28,875	-	28,875
Flood relief	-	-	-	-	-	54,187	54,187
Assigned for:							
Park project	35,425	-	-	-	-	-	35,425
Community betterment	5,985	-	-	-	-	-	5,985
Unassigned	671,612	-	-	-	-	(16,007)	655,605
Total cash basis fund balances	\$ 713,022	167,764	-	722,829	28,875	38,180	1,670,670

See notes to financial statements.

City of Carson
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2021

	Enterprise Funds			
	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 127,498	176,865	72,277	376,640
Operating disbursements:				
Business type activities	<u>119,453</u>	<u>106,787</u>	<u>63,394</u>	<u>289,634</u>
Excess of operating receipts over operating disbursements	8,045	70,078	8,883	87,006
Non-operating receipts (disbursements):				
Miscellaneous	25,103	2,088	35	27,226
Debt service	<u>-</u>	<u>(66,385)</u>	<u>-</u>	<u>(66,385)</u>
Total non-operating receipts (disbursements)	<u>25,103</u>	<u>(64,297)</u>	<u>35</u>	<u>(39,159)</u>
Change in cash balances	33,148	5,781	8,918	47,847
Cash balances beginning of year	<u>(10,211)</u>	<u>(36,250)</u>	<u>23,670</u>	<u>(22,791)</u>
Cash balances end of year	\$ <u>22,937</u>	<u>(30,469)</u>	<u>32,588</u>	<u>25,056</u>
Cash Basis Fund Balances				
Unrestricted	\$ <u>22,937</u>	<u>(30,469)</u>	<u>32,588</u>	<u>25,056</u>

See notes to financial statements.

City of Carson
Notes to Financial Statements
June 30, 2021

NOTE (1) Summary of Significant Accounting Policies

The City of Carson is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Carson has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Pottawattamie County Assessor's Conference Board, Pottawattamie County Landfill Association, Pottawattamie County Emergency Management Commission and the Iowa Waste Systems Association.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Carson
Notes to Financial Statements
June 30, 2021

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances that do not meet the definition of the preceding category. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies, and other receipts not allocated by law or contractual agreement to some other fund, are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the receipts from tax authorized by referendum and used for community betterment projects.

City of Carson
Notes to Financial Statements
June 30, 2021

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue - Continued:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The Enterprise, Garbage Fund accounts for the operation of the City's solid waste disposal.

C. Measurement Focus and Basis of Accounting

The City of Carson maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Carson
Notes to Financial Statements
June 30, 2021

NOTE (1) Summary of Significant Accounting Policies - Continued

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the budgeted amount in the community and economic development function.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$1,689,741.

City of Carson
Notes to Financial Statements
June 30, 2021

NOTE (2) Cash and Pooled Investments - Continued

At June 30, 2021, the City had the following investments:

Investment	Carrying Amount	Fair Value
Funds held by Pottawattamie County Development Foundation invested in mutual funds	\$ 5,985	\$ 7,114

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The recurring fair value of the funds held at Pottawattamie County Development Foundation was determined using quoted market prices. (Level 1 inputs)

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE (3) Bonds and Notes Payable

A summary of changes in notes payable for the year ended June 30, 2021 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities					
General obligation debt	\$ 641,000	-	139,000	502,000	109,000
Business type activities:					
Revenue debt	\$ 347,000	-	60,000	287,000	63,000

City of Carson
Notes to Financial Statements
June 30, 2021

NOTE (3) Bonds and Notes Payable – Continued

General Obligation Notes

A summary of the City's June 30, 2021 general obligation notes payable is as follows:

Year Ending June 30,	Capital Loan Issued Sept 1, 2015			Capital Loan Issued Apr 25, 2013		
	Interest		Interest	Interest		Interest
	Rates	Principal		Rates	Principal	
2022	2.50%	\$ 25,000	2,500	2.00%	\$ 45,000	1,800
2023	2.50%	25,000	1,875	2.00%	45,000	900
2024	2.50%	25,000	1,250	-	-	-
2025	2.50%	25,000	625	-	-	-
2026	2.50%	-	-	-	-	-
2027-2029	2.50%	-	-	-	-	-
		<u>\$ 100,000</u>	<u>6,250</u>		<u>\$ 90,000</u>	<u>2,700</u>

Year Ending June 30,	Street Improvement Issued Apr 30, 2018			Total		
	Interest		Interest	Principal		Total
	Rates	Principal		Principal	Interest	
2022	3.75%	\$ 39,000	11,701	\$ 109,000	16,001	125,001
2023	3.75%	39,000	10,238	109,000	13,013	122,013
2024	3.75%	39,000	8,776	64,000	10,026	74,026
2025	3.75%	39,000	7,313	64,000	7,938	71,938
2026	3.75%	39,000	5,851	39,000	5,851	44,851
2027-2029	3.75%	117,000	8,777	117,000	8,777	125,777
		<u>\$ 312,000</u>	<u>52,656</u>	<u>\$ 502,000</u>	<u>61,606</u>	<u>563,606</u>

On July 25, 2011, the City issued \$280,000 of general obligation notes with an interest rate of 3.00% per annum. The notes were used for street improvements. During the year ended June 30, 2021, the City paid \$35,000 of principal and \$1,050 of interest on the notes.

On April 25, 2013, the City issued \$570,000 of general obligation notes with interest rates ranging from 1.60% to 2.00% per annum. The bonds were for essential corporate purpose. During the year ended June 30, 2021, the City paid \$45,000 of principal and \$2,560 of interest on the notes.

On September 1, 2015, the City issued \$200,000 of general obligation notes with an interest rate at 2.50% per annum. The bonds were issued for essential corporate purpose. During the year ended June 30, 2021, the City paid \$20,000 of principal and \$3,000 of interest on the notes.

City of Carson
Notes to Financial Statements
June 30, 2021

NOTE (3) Bonds and Notes Payable – Continued

General Obligation Notes - Continued

On April 30, 2018, the City issued \$390,000 of general obligation notes with an interest rate of 3.75% per annum. The bonds were issued for street improvements. During the year ended June 30, 2021, the City paid \$39,000 of principal and \$13,229 of interest on the notes.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$2,200,000, which was not exceeded during the year ended June 30, 2021.

Revenue Notes

A summary of the City's June 30, 2021 revenue notes payable is as follows:

Year Ending June 30,	Sewer			Sewer		
	Issued Sept 29, 2004			Issued Oct 5, 2006		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	1.75%	\$ 45,000	3,290	1.75%	\$ 15,000	1,347
2023	1.75%	46,000	2,503	1.75%	15,000	1,085
2024	1.75%	48,000	1,698	1.75%	15,000	823
2025	1.75%	49,000	857	1.75%	16,000	560
2026	-	-	-	1.75%	16,000	280
2026-2029	-	-	-	-	-	-
		<u>\$ 188,000</u>	<u>8,348</u>		<u>\$ 77,000</u>	<u>4,095</u>

Year Ending June 30,	Sewer			Total		
	Issued Jun 28, 2007					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	3.00%	\$ 3,000	660	\$ 63,000	5,297	68,297
2023	3.00%	3,000	570	64,000	4,158	68,158
2024	3.00%	4,000	480	67,000	3,001	70,001
2025	3.00%	4,000	360	69,000	1,777	70,777
2026	3.00%	4,000	240	20,000	520	20,520
2027-2029	3.00%	4,000	120	4,000	120	4,120
		<u>\$ 22,000</u>	<u>2,430</u>	<u>\$ 287,000</u>	<u>14,873</u>	<u>301,873</u>

City of Carson
Notes to Financial Statements
June 30, 2021

NOTE (3) Bonds and Notes Payable – Continued

Revenue Notes - Continued

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$750,000 in sewer revenue notes issued in September 2004, \$250,000 in sewer revenue notes issued in October 2006, and \$59,000 in sewer revenue notes issued in June 2007. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the notes required less than 95 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$301,873. For the current year, principal and interest paid and total customer net receipts were \$66,385 and \$70,078, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity.
- b) Sewer revenue charges must be established at a level which produces and maintains net receipts at a level no less than 110% of principal and interest falling due in the same year.

The City is not in compliance with the above provisions.

NOTE (4) Lease Agreement

The City leases a copy machine and two lawn mowers under operating lease agreements. Rent expense for the year ended June 30, 2021 was \$4,116. The future required minimum lease payments are as follows:

Year ending June 30,	Amount
2022	\$ 1,043
2023	956
	<u>\$ 1,999</u>

City of Carson
Notes to Financial Statements
June 30, 2021

NOTE (5) Pension Plan Benefits

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

City of Carson
Notes to Financial Statements
June 30, 2021

NOTE (5) Pension Plan Benefits - Continued

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of pay and the City contributed 9.44% for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$16,365.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the City reported a liability of \$150,167 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.0021377%, which was an increase of 0.000029% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$23,039, \$28,663 and \$15,906 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

City of Carson
Notes to Financial Statements
June 30, 2021

NOTE (5) Pension Plan Benefits - Continued

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected
		Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Privated real assets	7.5	4.48
Private credit	3.0	3.11
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Carson
Notes to Financial Statements
June 30, 2021

NOTE (5) Pension Plan Benefits - Continued

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 250,391	150,167	66,131

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE (6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City had no liability for earned vacation and comp time termination payments payable to employees at June 30, 2021.

NOTE (7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 142,074
Debt Service	Special Revenue: Urban Renewal Tax Increment	12,841
		<u>\$ 154,915</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

City of Carson
Notes to Financial Statements
June 30, 2021

NOTE (8) Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (9) Deficit Fund Balances

At June 30, 2021, the City had the following deficit fund balances:

Capital Projects	\$	16,007
Proprietary, Sewer Fund		<u>30,469</u>
Total	\$	<u><u>46,476</u></u>

The deficit in the Capital Projects Fund will be eliminated with project and grant funding. The City will investigate possible sewer rate changes in order to eliminate the proprietary deficit balance.

NOTE (10) Urban Renewal

Carson Urban Renewal Area

On September 13, 1999, the City established the Carson Urban Renewal Area which included the entire area within the corporate boundaries of the City except for four agricultural properties. The objectives of the plan included the stimulation of new residential development, the efficient construction of street, water, storm sewer and sanitary sewer improvements to support housing development and an increase in affordable housing units in the City. The area principally served by the plan is the Wilbur Subdivision.

On September 12, 2005, the City adopted Amendment No. 1 to the Carson Urban Renewal Area. The amendment determined an area of the City to be blighted and provided for its rehabilitation, conservation, redevelopment, and development as in the interest of the public health, safety or welfare of the residents of the City.

Lewis/Lariviere Urban Renewal Area

In June 2004, the City established the Lewis/Lariviere Urban Renewal Area and designated the area as an economic development district. In December 2004, the area was expanded to include a parcel of the commercial district by the adoption of Amendment No. 1. The objectives of the plan are commercial and residential development south of Highway 92.

Tibbles Urban Renewal Area

On April 11, 2005, the City established the Tibbles Urban Renewal Area and designated the Tibbles Subdivision as an economic development district to promote new residential development. The Tibbles subdivision is located west of the Nishnabotna River.

City of Carson
Notes to Financial Statements
June 30, 2021

NOTE (11) Commitments

Billing Services Agreement

The City has an agreement with Quick Medical Claims to provide medical billings for ambulance calls for a monthly fee of 10% of the net collections on the City's behalf during the preceding month. Either party may terminate with 60 days notice.

Garbage Collection Service Agreement

On May 14, 2012, the City amended its agreement with M K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs to December 31, 2022. The contracted amount per residential unit for up to four 32-gallon containers per week is \$10.50 per month. The contracted amount for commercial, industrial, and institutional premises, per yard, per dump is \$5.00, and \$1.00 per unit per month for recyclables. The City paid \$56,988 on the contract during fiscal year 2021.

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2021. The contract is payable in four installments of \$3,770 during fiscal year 2022.

NOTE (12) Franchise Agreement

On August 13, 2007, the City passed an ordinance granting to Mid-American Energy Company, its successors and assignees, the right and franchise to acquire, construct, erect, maintain, and operate a natural gas system in the City of Carson, and to furnish and sell natural gas to the City and its inhabitants for a period of twenty-five years. The City also passed an ordinance granting Mid-American Energy Company, its successors and assignees, the right and franchise to acquire, construct, erect, maintain, and operate a system for the transmission and distribution of electric energy and communications signals to the City and its inhabitants for a period of twenty-five years. The franchises will expire in 2032.

NOTE (13) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Carson, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Carson. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Carson.

City of Carson
Notes to Financial Statements
June 30, 2021

NOTE (14) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, *Leases*. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

City of Carson
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 312,679	-	312,679	338,720	338,720	(26,041)
Tax increment financing	78,132	-	78,132	75,128	75,128	3,004
Other city tax	178,752	-	178,752	119,970	119,970	58,782
Licenses and permits	1,761	-	1,761	2,425	3,688	(1,927)
Use of money and property	4,311	-	4,311	23,750	45,309	(40,998)
Intergovernmental	235,237	-	235,237	300,860	433,703	(198,466)
Charges for service	40,883	376,640	417,523	434,000	434,500	(16,977)
Special assessments	217	-	217	1,500	3,000	(2,783)
Miscellaneous	63,971	27,226	91,197	5,400	13,460	77,737
Total receipts	915,943	403,866	1,319,809	1,301,753	1,467,478	(147,669)
Disbursements:						
Public safety	104,869	-	104,869	108,670	116,409	11,540
Public works	102,068	-	102,068	173,869	173,663	71,595
Culture and recreation	82,200	-	82,200	98,501	112,533	30,333
Community and economic development	30,084	-	30,084	30,000	30,000	(84)
General government	141,108	-	141,108	288,869	301,961	160,853
Debt service	160,340	-	160,340	160,273	161,773	1,433
Capital projects	23,885	-	23,885	-	131,901	108,016
Business type activities	-	356,019	356,019	373,120	382,836	26,817
Total disbursements	644,554	356,019	1,000,573	1,233,302	1,411,076	410,503
Excess of receipts over disbursements	271,389	47,847	319,236	68,451	56,402	262,834
Balances beginning of year	1,399,281	(22,791)	1,376,490	1,307,282	1,421,722	(45,232)
Balances end of year	\$ 1,670,670	25,056	1,695,726	1,375,733	1,478,124	217,602

See accompanying independent auditors' report.

City of Carson
Notes to Other Information – Budgetary Reporting
June 30, 2021

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$177,774. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the community and economic development function.

City of Carson
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Seven Years*
(In Thousands)
Other Information

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.002138%	0.002109%	0.002067%	0.001829%	0.002130%	0.002033%	0.002021%
City's proportionate share of the net pension liability	\$ 150	122	131	122	134	100	80
City's covered payroll	\$ 170	160	155	140	154	181	185
City's proportionate share of the net pension liability as a percentage of its covered payroll	88.24%	76.25%	84.52%	87.14%	87.01%	55.25%	43.24%
Plan fiduciary net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year

See accompanying independent auditors' report

City of Carson
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)
Other Information

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 16	16	15	14	12	14	17	17	16	15
Contributions in relation to the statutorily required contribution	16	16	15	14	12	14	17	17	16	15
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 173	170	160	155	140	154	181	185	181	177
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	9.17%	9.18%	9.00%	8.40%

See accompanying independent auditors' report

City of Carson
Notes to Other Information – Pension Liability
Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumptions.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

Supplementary Information

City of Carson
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2021

	Special Revenue		
	FEMA	Capital Projects	Total
Receipts			
Intergovernmental	\$ 70,864	-	70,864
Miscellaneous	-	19,451	19,451
Total receipts	<u>70,864</u>	<u>19,451</u>	<u>90,315</u>
Disbursements:			
Capital Projects	<u>-</u>	<u>23,885</u>	<u>23,885</u>
Change in cash balances	70,864	(4,434)	66,430
Cash balances beginning of year	<u>(16,677)</u>	<u>(11,573)</u>	<u>(28,250)</u>
Cash balances end of year	<u>\$ 54,187</u>	<u>(16,007)</u>	<u>38,180</u>
Cash Basis Fund Balances			
Restricted for flood relief	54,187	-	54,187
Unassigned	<u>-</u>	<u>(16,007)</u>	<u>(16,007)</u>
Total cash basis fund balances	<u>\$ 54,187</u>	<u>(16,007)</u>	<u>38,180</u>

See accompanying independent auditors' report.

City of Carson
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Ten Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Receipts:										
Property tax	\$ 312,679	314,792	304,583	317,240	321,947	323,750	282,586	282,214	263,403	214,604
Tax increment financing collections	78,132	99,207	94,739	88,484	77,973	82,268	213,810	71,981	133,462	262,909
Other city tax	178,752	165,900	119,556	103,938	101,051	123,063	129,020	102,992	99,272	97,839
Licenses and permits	1,761	1,484	993	1,257	1,127	638	1,374	1,514	1,376	1,453
Use of money and property	4,311	8,148	10,671	10,029	6,955	10,788	6,684	3,960	9,134	9,712
Intergovernmental	235,237	252,259	141,285	133,440	146,115	116,437	121,851	291,603	176,774	227,253
Charges for service	40,883	45,531	46,042	42,189	41,465	30,781	33,213	29,020	39,118	31,095
Special assessments	217	-	-	-	793	-	-	-	252	-
Miscellaneous	63,971	75,295	27,502	35,666	13,140	43,140	114,051	113,517	43,162	59,265
Total	\$ 915,943	962,616	745,371	732,243	710,566	730,865	902,589	896,801	765,953	904,130
Disbursements:										
Operating:										
Public safety	\$ 104,869	111,311	96,812	88,410	87,947	115,088	309,714	139,545	230,651	125,205
Public works	102,068	113,311	210,939	99,887	125,967	95,916	516,014	93,391	388,379	74,126
Culture and recreation	82,200	105,235	84,005	81,505	164,419	98,777	87,657	60,137	115,703	69,682
Community and economic development	30,084	105,775	91,566	9,271	21,340	29,065	132,970	44,834	102,488	204,974
General government	141,108	260,214	89,864	85,511	76,841	81,293	80,586	72,206	82,276	53,097
Debt service	160,340	204,539	174,980	189,030	242,945	230,474	251,641	195,308	157,194	102,441
Capital projects	23,885	-	11,573	23,250	137,949	-	350	6,137	203,874	44,481
Total	\$ 644,554	900,385	759,739	576,864	857,408	650,613	1,378,932	611,558	1,280,565	674,006

See accompanying independent auditors' report.

City of Carson



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

October 15, 2021

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson, Iowa, as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 15, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Carson's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Carson's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Carson's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Continued...

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City of Carson
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings as item I-A-21 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Carson's Responses to Findings

City of Carson's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Carson's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Carson during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Schroer & Associates, PC
Council Bluffs, IA

City of Carson
Schedule of Findings
Year Ended June 30, 2021

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-21 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – We noted that the cash receipts listing, bank deposits, posting of the cash receipts to the cash receipts journal, reconciling and reporting, are at times all done by the same person.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The City Treasurer does a monthly review of the bank statements and bank reconciliations. In addition, we now accept payment for utility bills through credit card or bill pay options.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Carson
Schedule of Findings
Year Ended June 30, 2021

Part II: Other Findings Related to Required Statutory Reporting:

II-A-21 Certified Budget

Comment - Disbursements during the year ended June 30, 2021 exceeded the amount budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-21 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-21 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-21 Business Transactions

No business transactions between the City and City officials, employees or relatives of City officials were noted.

II-E-21 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-21 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-21 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

City of Carson
Schedule of Findings
Year Ended June 30, 2021

Part II: Other Findings Related to Required Statutory Reporting - Continued:

II-H-21 Revenue Note

Comment – The City has a deficit fund balance in the Sewer Fund which violates the provision of the sewer revenue bond resolution.

Recommendation – The City should establish rates which will generate user fees sufficient to service the revenue debt and the operations of the City's sanitary sewer system.

Response – We had some unusual repairs this year. We will review the necessity to raise rates.

Conclusion – Response accepted.

II-I-21 Financial Condition

Comment – At June 30, 2021, the City had the following deficit fund balances:

Capital Projects	\$	16,007
Proprietary, Sewer Fund		<u>30,469</u>
Total	\$	<u>46,476</u>

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition. User fees for sewer should be adjusted to service operations and revenue debt. The City should control spending within corresponding revenue sources.

Response – We will monitor these funds closely.

Conclusion – Response accepted.

II-J-21 Annual Urban Renewal Report

Comment – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management before December 1. However, the following exception was noted:

The amount reported by the City as TIF debt outstanding was understated by \$38,607.

Recommendation – The City should ensure debt amounts reported on the Levy Authority Summary agree with the City's records.

Response – This item will be corrected on next year's report.

Conclusion – Response accepted.